

State of Alaska FY2007 Governor's Operating Budget

Department of Health and Social Services Medical Assistance Administration Component Budget Summary

Component: Medical Assistance Administration**Contribution to Department's Mission**

Departmentwide, HCS administers the State Children's Health Insurance Program (SCHIP), the Medicaid Management Information System (MMIS), claims payments and accounting, third-party liability collections and recoveries, and the Chronic and Acute Medical Assistance Program.

Core Services

The Division of Health Care Services maintains the Medicaid "core" services including hospitals, physician services, pharmacy, dental services, transportation; and other services including physical, occupational, and speech therapy; laboratory; x-ray; durable medical equipment; and hospice and home health care. Departmentwide, HCS administers the State Children's Health Insurance Program (SCHIP), the Medicaid Management Information System (MMIS), claims payments and accounting, third-party liability collections and recoveries, federal reporting activities, Medicaid Administrative Claiming, Medicaid Error Rate program, and the Chronic and Acute Medical Assistance program.

The Medical Assistance Administration component provides support for these programs in the areas of systems and analysis, financial recoveries, providers and benefit services, contracts management, budget and fiscal management, accounts receivable and payable, regulations and legislation support and tracking, data processing and information management, research and analysis both in-house, for the governor, the legislature, and for outside agencies and the general public.

Medicaid Services Administration. Federal financial participation (FFP) for Medicaid administrative activities are federally matched at a base rate of 50%. This means the federal government will provide funds equal to the sum the state contributes toward total administrative expenditures. However, higher matching rates or enhanced rates of 75% and 90% are authorized by law for certain administrative functions and activities.

In order to receive federal matching dollars for medical services under the Medicaid program, states must maintain a Medicaid state plan. The state plan details the scope of each state's Medicaid program by listing the eligibility groups and standards, the services provided, any applicable service requirements, and payment rates for those services. While states generally have flexibility in forming their Medicaid programs, Medicaid state plans must include certain elements of information and must be consistent with mandates detailed in federal statutes.

In FY06, the functions formerly provided under the Health Purchasing Group (HPG) component have moved to the Medical Assistance Administration (MAA) component to more accurately represent the division's function and structure. The MAA assures ongoing, timely, and accurate payment of medical claims through management and monitoring of the MMIS; service providers are consistently informed of appropriate procedures and policy changes; utilization reviews for medical necessity and quality assurance; accurate data for state agencies and the public; accurate third-party accountability and monitoring and tracking of recoveries. Units within this component and the specific services they provide include the following:

Systems and Analysis

- Monitoring Claims Payments
- Identifying/Correcting Medicaid Management Information System (MMIS) System Errors
- Implementing and Supervising MMIS Enhancements and Testing
- MMIS Data and Research

Financial Services and Recovery

- Policy and Rate Appeals
- Post Payment Review and Cost Avoidance
- Third Party Liability/Recovery
- Accounting – Claims Payment Check Writes and Expenditure

Provider and Benefits Services

- Provider Participation and Access Coordination: Building a network of enrolled providers in-state and out-of-state to ensure access to health care and ancillary support services.
- Provider Training and Publications: We have provided 149 face-to-face and teleconference trainings across the state reaching some 1,525 physician offices, public health nurses, office managers and Medicaid billing personnel.
- Provider Assistance and Problem Resolution: We work with about 500 providers over the course of a year and recently assisted one provider to resolve nearly \$20,000 in outstanding claims.
- Beneficiary Training and Problem Resolution – Fair Hearings: Ongoing distribution of the Alaska Medicaid Recipient Services handbook to recipients and public and private partners providing services to low income Alaskans. Our office coordinated 1-2 fair hearings every business day for a total of 373 Fair Hearings last year.
- Claims Cycle Monitoring and Problem Resolution

Early and Periodic Screening, Diagnosis & Treatment (EPSDT) Program. The EPSDT program assures that children enrolled in Medicaid receive preventative health care and additional diagnosis or treatment services as needed. Good quality preventative health care reduces subsequent medical care costs for these children. All Medicaid Services/EPSDT program activities are directed toward addressing federal EPSDT regulations and related federal initiatives. The program sends notice to parents or guardians of children due for well-child exams and immunizations; assists families in finding physicians, nurse practitioners, dentists and vision care providers, in their home community who accept new Medicaid patients; coordinates and funds transportation reimbursement to preventative health care appointments for children and pregnant women. Reimbursement assistance is available for health care appointments if the family would not otherwise be able to afford to attend the appointment.

FY2007 Resources Allocated to Achieve Results		
FY2007 Component Budget: \$28,666,800	Personnel:	
	Full time	51
	Part time	0
	Total	51

Key Component Challenges

Administration of the Medicaid and Chronic and Acute Medical Assistance (CAMA) Programs. Programmatic and financial responsibility for Medicaid services and CAMA are housed under HCS whose customers are the major users of the services. Oversight of the Medicaid program as a whole is under the umbrella of the Commissioner's Office with the Office of Program Review and the Office of Rate Review. HCS maintains the operations aspects of the programs, i.e., claims payments; contract management; provider, facility and client services.

Medicaid Management Information System Development Project. Federal law requires all states participating in the Medicaid program to operate an automated claims processing system which must be certified by the federal government as a Medicaid Management Information System (MMIS). Federal rules also require these fiscal agent contracts be competitively bid. The contract for HCS's current fiscal agent was negotiated and awarded in May 1987.

A priority goal for the division is to transition to a new MMIS system with minimum disruption to its service providers and clients. The new system must satisfy the needs of the state, medical service providers and the clients they serve.

The department awarded a competitive bid contract for development and implementation of the new system to First Health Services Corporation (FHSC) in August, 2003. The division was in the development and testing phase for the new system, when FHSC ceased project activities on September, 2005, due to the contractor's inability to complete the project timely within the fixed bid cost. The department attempted to negotiate a reasonable settlement with FHSC while initiating alternative development strategies. A satisfactory agreement with FHSC was not obtained by December, 2005, and the department has initiated a new solicitation for MMIS replacement, which is anticipated to be fully implemented in July, 2007.

This project has placed extraordinary pressure on existing staff. The HCS continues to work diligently to maintain adequate, knowledgeable staffing levels to successfully complete this multi-faceted, multi-year project.

Surveillance, Utilization & Review. HCS is committed to an aggressive recruitment and retention effort to build and sustain a highly competent resource infrastructure with substantive program and business management expertise and depth. This will assure the state continues to enjoy the benefits of a service delivery system of the highest caliber, and well-managed, comprehensive and consistent health program policy under an aggressive cost containment strategy.

Expanding healthcare service programs and federal mandates have required HCS to focus on preparedness and training to meet the needs associated with these changes. HCS has been instrumental in working on the Payment Error Rate Measurement grant project and is preparing for the new Medicaid Error Rate federal regulations.

In order to more effectively respond to increased Federal and State interest in pursuing fraudulent providers the Department has established within the Commissioners Office a contact individual to address issues and requests from the Medicaid Fraud Control Unit and the Federal Office of the Inspector General.

Increased emphasis on curbing fraudulent and abusive behavior has also led the Department to establish a high level Audit Committee to assure consistency and effective Program Integrity efforts.

Significant Changes in Results to be Delivered in FY2007

Health Care Services continues to adjust to the Department of Health and Social Services reorganization of staff and programs. The goals of the reorganization are to bring financial stability to operations, maximize federal funds, provide more accountability in program management, and maintain quality and customer service. The new program alignment will balance cost effectiveness and service delivery. No break to services to the public has occurred throughout this multi-year reorganization.

Major Component Accomplishments in 2005

The HCS has played a key role in the design, development, and implementation stage for the state's new MMIS. Requirement verification sessions have been taking place for over a year; staff time and effort without additional compensation have been commendable. Implementation is slated for 2006.

The EPSDT Program experienced two major accomplishments this last year. First, we increased the ratio of actual preventative health exams to desired number of exams for the fourth year in a row, by almost 3% for the year; and secondly we increased the percent of children receiving at least one needed preventative health exam from 56.8% to 58.0%.

HCS has played a major role in the implementation of cost containment measures in an effort to reduce the cost of Medicaid Services while maintaining wherever possible levels of services provided.

Summary of Cost Containment – HCS

- Cost avoid prescriptions covered by other insurances and Medicare to be implemented on 11-30-05
- Expanded case management of high-cost recipients
- Expanded efforts to identify drug abuse through client lock-in to single physician
- Continued expansion of the Preferred Drug List in conjunction with the National Medicaid Pooling Initiative
- Continued work on prior authorization requirements for hospital visits
- Increase efforts to eliminate duplicative services through MMIS claims editing
- Identify and implement administrative claiming activities with IHS facilities
- Implemented the Behavioral Pharmacy Management System in conjunction with the Division of Behavioral Health to improve the quality of care and prescribing habits of those providers prescribing behavioral health medications

Statutory and Regulatory Authority

Alaska Statutes:

AS 47.07 Medical Assistance for Needy Persons
AS 47.08 Assistance for Catastrophic Illness and Chronic or Acute Medical Conditions
AS 47.25 Public Assistance

Social Security Act:
Title XVIII Medicare
Title XIX Medicaid
Title XXI Children's Health Insurance Program

Administrative Code:
7 AAC 43 Medicaid
7 AAC 48 Chronic and Acute Medical Assistance

Code of Federal Regulations:
Title 42 CFR Part 400 to End

Contact Information
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Medical Assistance Administration Component Financial Summary

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	960.8	4,256.9	4,503.7
72000 Travel	103.7	94.8	94.8
73000 Services	3,476.9	25,454.8	23,832.3
74000 Commodities	64.0	115.0	115.0
75000 Capital Outlay	0.0	121.0	121.0
77000 Grants, Benefits	54.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	4,659.4	30,042.5	28,666.8
Funding Sources:			
1002 Federal Receipts	2,950.5	21,277.2	20,262.4
1003 General Fund Match	934.0	7,733.1	7,384.0
1004 General Fund Receipts	221.5	814.9	826.1
1007 Inter-Agency Receipts	0.0	3.4	3.4
1156 Receipt Supported Services	553.4	0.0	0.0
1189 Senior Care Fund	0.0	213.9	190.9
Funding Totals	4,659.4	30,042.5	28,666.8

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	2,950.5	21,277.2	20,262.4
Interagency Receipts	51015	0.0	3.4	3.4
Receipt Supported Services	51073	553.4	0.0	0.0
Restricted Total		3,503.9	21,280.6	20,265.8
Total Estimated Revenues		3,503.9	21,280.6	20,265.8

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	8,548.0	21,277.2	217.3	30,042.5
Adjustments which will continue current level of service:				
-2nd Year Fiscal Note Adjustment Alaska Senior Care Program Ch 89, SLA 2005	0.0	0.0	-23.0	-23.0
-Transfer First Health Mental Health Contractual Authorization	-400.0	-1,200.0	0.0	-1,600.0
-Transfer funds to Office of Program Review from Health Care Services for PCN 06-5136	-25.0	0.0	0.0	-25.0
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	25.5	53.2	0.0	78.7
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	2.9	5.9	0.0	8.8
-FY 07 Retirement Systems Cost Increase	43.7	95.1	0.0	138.8
Proposed budget increases:				
-Risk Management Self-Insurance Funding Increase	15.0	31.0	0.0	46.0
FY2007 Governor	8,210.1	20,262.4	194.3	28,666.8

Medical Assistance Administration Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	50	51	Annual Salaries	2,959,507
Part-time	0	0	COLA	81,534
Nonpermanent	8	0	Premium Pay	978
			Annual Benefits	1,648,863
			Less 3.99% Vacancy Factor	(187,182)
			Lump Sum Premium Pay	0
Totals	58	51	Total Personal Services	4,503,700

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	1	0	0	0	1
Accounting Clerk II	1	0	0	0	1
Accounting Tech I	1	0	0	0	1
Accounting Tech III	1	0	0	0	1
Administrative Clerk III	1	0	0	0	1
Division Director	0	0	1	0	1
Health Program Mgr III	1	0	0	0	1
Health Program Mgr IV	2	0	0	0	2
Hlth & Soc Svcs Plnr II	1	0	0	0	1
Internal Auditor III	1	0	0	0	1
Internal Auditor IV	1	0	0	0	1
Medicaid Pharm Program Manager	1	0	0	0	1
Medical Assist Admin I	4	0	0	0	4
Medical Assist Admin II	10	0	1	0	11
Medical Assist Admin III	6	0	1	0	7
Medical Assist Admin IV	4	0	0	0	4
Nurse Consultant I	3	0	0	0	3
Nurse Consultant II	1	0	0	0	1
Pharmacist	1	0	0	0	1
Project Coordinator	0	0	1	0	1
Project Manager	1	0	0	0	1
Research Analyst I	1	0	0	0	1
Research Analyst II	2	0	0	0	2
Research Analyst III	1	0	0	0	1
Research Analyst IV	1	0	0	0	1
Totals	47	0	4	0	51